



Reconciliation Process Abused to Expand Higher Education Spending By Billions

➤ **Instead of Deficit Reduction, Spending Will Increase by \$22 Billion**

- The reconciliation process - a way for Congress to find savings in automatic spending programs - is being manipulated to increase federal entitlement spending by \$22 billion. Here's how...
- Reconciliation instructions in the Democrats' fiscal year 2008 budget resolution were limited to directing the HELP Committee to reduce entitlement spending by only \$750 million over five years, savings that must be used to reduce the federal deficit.
- The Higher Education reconciliation bill, now in final conference format, uses the pretense of reconciliation to find \$22.32 billion in savings in entitlement programs, but then expands and creates NEW entitlement spending that will cost \$21.57 billion, leaving only a tiny amount for deficit reduction.

➤ **New Spending Will Be About 2,900 Percent of the Savings Instruction**

- Democrats this year threw out a bi-partisan provision in the Senate-passed budget resolution that would have limited any new spending in response to reconciliation instructions to 20 percent.
- By playing political and budgetary games with the reconciliation process, new spending is 29 times more than the savings instruction.

➤ **Deficit Reduction Amount is Miniscule Compared to Previous Reconciliation Bills**

- Democrats' extremely small \$750 million reconciliation instructions is dwarfed by the \$34.6 billion reconciliation instructions included in the FY 2006 budget resolution when Senator Gregg chaired the Senate Budget Committee, which ultimately resulted in enacted legislation that reduced the deficit by nearly \$40 billion over 5 years.
- Democrats' tiny \$750 million net deficit reduction is laughable compared to previous reconciliation efforts: 1997 - \$118 billion in deficit reduction over five years; 1993 - \$433 billion in deficit reduction over five years; 1990 - \$482 billion in deficit reduction over five years.

➤ **Budgetary Gimmicks Used to Mask Spending to Keep Reconciliation Status**

- The bill uses a budgetary gimmick to mask \$17 billion in additional spending in the reconciliation bill. The bill cuts student loan interest rates during the next four years -- from 6.8% in the 2007-2008 academic year down to 3.4% in the 2011-2012 academic year -- but then reverts rates back to current levels of 6.8% in the 2012-2013 academic year and afterwards. If rates did not revert back, the rate reduction would cost \$17 billion during the out-years, which in turn would subject the bill to a point of order [prohibiting consideration of reconciliation legislation that would cause or increase a deficit for the sum of years 1-6 (2007-2012) or sum of years 1-11 (2007-2017)] and would jeopardize its reconciliation status.
- The bill uses a similar gimmick to hide \$9 billion in Pell Grant funding. The bill effectively zeros out new mandatory Pell Grants in 2013 in order to avoid being subject to a point of order, and then funds the grants again beginning in 2014, but at a lower level than in 2012.
- Clearly, neither of these drastic changes will actually occur. Spending in this bill will be much higher than advertised, and will substantially add to the deficit.